



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Charlie Hercher
GASCO Distribution Systems, Inc.
1014 N. Cross Street
P. O. Box 655
Albany, KY 42602

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

March 31, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2007-00519
GASCO Distribution Systems, Inc.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 31, 2008.

Executive Director

SS/tw
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF GASCO DISTRIBUTION SYSTEMS,) CASE NO. 2007-00519
INC.)

O R D E R

On February 16, 1995,¹ the Commission approved rates for Gasco Distribution Systems, Inc. ("Gasco") and provided for their further adjustment on a quarterly basis in accordance with its Gas Cost Recovery ("GCR") Rate Schedule.² On December 14, 2007, Gasco, pursuant to its GCR Rate Schedule, filed a quarterly report with the Commission to update its GCR rate for the calendar quarter beginning February 1, 2008.

¹ Case No. 1994-00427, The Application of Gasco Distribution Systems, Inc. for a Certificate of Convenience and Necessity to Provide Local Gas Distribution Service to Albany, Ky. and for Transfer of the Albany Gas Utility Company (Ky. PSC Feb. 16, 1995).

² Gasco's GCR Rate Schedule provides the following formula for determining the GCR rate:

$$\text{GCR} = \text{EGC} + \text{RA} + \text{ACA} + \text{BA}$$

where

EGC (Expected Gas Cost Component) equals average expected cost of gas suppliers on a dollar per Mcf basis;

RA (Supplier Refund Adjustment) equals refunds received from suppliers during the 3-month accounting period that ended approximately 60 days prior to the filing date of the updated gas recovery rates, plus interest at the average 90 day commercial paper rate for the calendar quarter on a dollar per Mcf basis;

ACA (Actual Cost Adjustment) equals the difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter on a dollar per Mcf basis; and,

BA (Balance Adjustment) equals all over- or under-collections that have occurred as a result of prior adjustments.

See Tariff of Gasco Distribution Systems, Inc., P.S.C. Ky. No. 1, Original Sheets No. 24 and No. 25 (Feb. 16, 1995).

On January 29, 2008, the Commission suspended Gasco's proposed updated GCR rate. We took this action because Gasco's calculation of the updated GCR rate includes in the Actual Cost Adjustment ("ACA") component the difference between actual gas costs and recovered gas costs for the 5-year period ending June 30, 2007. In its prior quarterly report filed with the Commission on September 26, 2007 for the calendar quarter beginning November 1, 2007, Gasco had also included these unrecovered gas costs in its ACA and thus in its updated GCR rate. We suspended this rate to investigate the reasonableness of the updated GCR rate.³

On February 25, 2008, Gasco submitted a quarterly report with the Commission to update its GCR rate for the calendar quarter beginning April 1, 2008. In this report, Gasco has modified its original proposal for recovery of unrecovered gas costs. It now seeks recovery of unrecovered gas costs only for the 2-year period ending June 30, 2007. The Commission has this day initiated an investigation into the reasonableness of this amended proposal.⁴ Gasco has further requested, and we have directed, that our investigation into Gasco's original proposal be dismissed.⁵

The Commission finds that Gasco's modification of its original proposal for recovery of unrecovered gas costs and its filing of a quarterly report for the calendar quarter ending December 31, 2007 that does not include recovery of unrecovered gas costs for the 5-year period ending June 30, 2007 should be considered as an amendment to Gasco's filing of December 14, 2007 to exclude the unrecovered gas

³ Case No. 2007-00421, The Notice of Gas Cost Recovery Filing of Gasco Distribution Systems, Inc. (Ky. PSC Oct. 17, 2007).

⁴ Case No. 2008-00096, An Investigation into the Reasonableness of the Gas Cost Recovery Filing of Gasco Distribution Systems, Inc.

⁵ Case No. 2007-00421.

costs for periods outside of the calendar quarter ending October 31, 2007. By this Order, the Commission has authorized an updated GCR rate without regard to those costs. Those costs will be addressed in Case No. 2008-00096.⁶

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Gasco's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. Gasco's notice sets out an Expected Gas Cost ("EGC") of \$11.3359 per Mcf. Gasco erroneously included an adjustment for line loss which it did not experience. Correcting for this produces an EGC of \$10.7691, which is an increase of \$3.1925 per Mcf from its previous EGC of \$7.5766.

3. Gasco's notice sets out no current quarter Refund Adjustment.

4. Gasco's notice sets out a current quarter Actual Adjustment ("AA") of \$.2311 per Mcf. Gasco's proposed total AA of \$6.2721 includes the 60-month AA factor for unrecovered gas costs for the 5-year period ending June 30, 2007. Removing these unrecovered gas costs produces a total AA of \$1.3966 per Mcf, which is an increase of \$.3657 per Mcf from its previous total AA.

5. Gasco's notice sets out no current quarter Balance Adjustment ("BA"). Gasco's notice sets out no total BA, which is no change from its previous total BA.

6. Gasco's GCA is \$12.1657 per Mcf, which is an increase of \$3.5582 per Mcf from its previous rate of \$8.6075.

⁶ Nothing in our action today should be construed as a ruling on whether Gasco's filing of February 25, 2008 is consistent with the terms of Gasco's GCR Rate Schedule. We defer that issue to Case No. 2008-00096.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by Gasco on and after April 1, 2008.

IT IS THEREFORE ORDERED that:

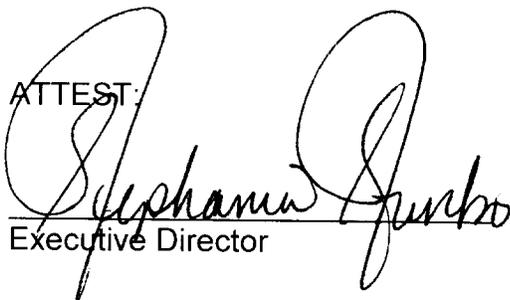
1. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after April 1, 2008.

2. Within 20 days of the date of this Order, Gasco shall file with the Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 31st day of March, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00519 DATED MARCH 31, 2008

The following rates and charges are prescribed for the customers served by Gasco Distribution Systems, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Residential	\$4.62	\$12.1657	\$16.7857
Commercial	\$3.62	\$12.1657	\$15.7857